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FM AMEMBASSY MONTEVIDEO
TO RUEHC/SECSTATE WASHDC 5189
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E.O. 12958: N/A
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SUBJECT: URUGUAY PASSES UNION PROTECTION LAW

¶1. (U) Summary. On December 22, Congress passed a law on the "promotion and protection" of unions. The heated six-month debate clearly aligned the ruling FA coalition with union interests on one side and business organizations and the opposition on the other. The law bans discrimination against workers for union activity. Business interests reacted strongly against the proposal, but the left-leaning administration passed the law with little concern for the business community's displeasure. The law pandered to the Frente Amplio (FA) "base" and could complicate or ease government FA orthodox economic policies depending on how the unions use their new power. End summary.

THE LAW

¶2. (U) The law forbids the firing or discrimination in hiring of union leaders, representatives, negotiators, or workers intending to form a union merely for union activity. The Uruguayan constitution guarantees the freedom of unions, and proponents pushed the law as a validation of this right. Under the law, employers must prove that the employee was not fired or refused employment for union activity. If the employer cannot prove an alternative cause, the employee must be returned to work and compensated for lost pay. Cases will be decided in courts supervised by the Ministry of Labor.

BUSINESS RESPONSE

¶3. (SBU) Shortly before passage, twenty business organizations created a joint statement voicing their strong opposition to the law. The communique argued that the law will affect the viability of firms, over-strengthen unions, and hamper job creation. The President of the Chamber of Commerce again articulated these concerns to the Charge in December. The Chamber's chief legal counsel argued that the law turns entrepreneurs into "human resource managers of the unions." He especially criticized the immobility of

labor and the abandonment of the GOU's traditional hands off"" policy of non-interference in collective bargaining.

GOU POSITION

14. (U) The GOU argued that the law previously favored employers and the new law meets the requirements of several international agreements and the Uruguayan constitution. There was little disagreement within the Frente Amplio prior to passage, and the government proceeded with the law as a fait accompli. President

Vazquez avoided a meeting with business leaders, and the government did not really argue for the law as much as it argued against the objections of businessmen. In the end, the government made minor modifications to the law, but business leaders seemed far from satisfied.

COMMENT

15. (SBU) The PIT-CNT (National Workers Confederation), the labor movement's umbrella organization, has long been a mainstay of support for the FA in general and the President's Socialist Party in particular. It is no surprise that the new government backed pro-union legislation. At first glance the law seeks to protect the right to organize, but business leader fears are also justified. The eventual result of this law will depend on the degree to which the unions use it to push for further gains. Since the union protection law was proposed, PIT-CNT reported their largest membership gains in several decades. If unions begin to use their increasing enrollment as a political weapon, they could have a large impact on future politics and policy in Uruguay. But if these protections become merely a political trade off to insure continued support for orthodox macro-economic policies, the bargain could be politically profitable for the Frente Amplio.